June 27, 2024

Members of the United States Senate
Washington, D.C. 20510

Re: New ILC Approval Heightens Financial System Risk

Dear Senator:

On June 21, the Federal Deposit Insurance Corporation (FDIC) approved the application of Thrivent Bank, a new industrial loan company (ILC) headquartered in Salt Lake City, Utah. Utah is one of only a handful of states that charter ILCs, though these firms are allowed to operate nationwide. ICBA[1] strongly opposes this action. The approval of new ILCs should concern the public and U.S. lawmakers as they evade full regulatory oversight and create the dangerous mixing of banking and commerce. ILCs put at risk the deposit insurance fund, financial stability, consumers, and taxpayers.

Ironically, as the FDIC approves this new ILC charter, Congress is working to close the "ILC loophole." I**CBA urges your cosponsorship of the Close the Shadow Banking Loophole Act (S. 3538), sponsored by Senators Sherrod Brown and John Kennedy. S. 3538 would permanently close the ILC loophole while grandfathering existing ILCs.**

Industrial loan companies are the functional equivalent of commercial banks, engaging in a broad range of consumer and business credit and other financial services. However, ILCs exploit a loophole in the Bank Holding Company Act allowing its parent company to evade consolidated supervision by the Federal Reserve and thereby create systemic risk.

Moreover, ILCs are increasingly sought by non-financial, commercial firms, violating the long-standing American policy of separating banking and commerce. This policy, far from being outdated, is fundamental to a prosperous and diverse economy. Bank independence from commercial activities is essential to their ability to assess risk and create fair access to credit based on credit worthiness and economic potential. Credit allocation would be jeopardized if commercial firms were allowed to own or control banks. In today's fast evolving digital economy, mixing banking and commerce escalates consumer risk. These threats are detailed in ICBA's **comprehensive white paper**.

[1] The Independent Community Bankers of America® has one mission: to create and promote an environment where community banks flourish. We power the potential of the nation's community banks through effective advocacy, education, and innovation. As local and trusted sources of credit, America's community banks leverage their relationship-based business model and innovative offerings to channel deposits into the neighborhoods they serve, creating jobs, fostering economic prosperity, and fueling their customers' financial goals and dreams. For more information, visit ICBA's website at icba.org.

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Congress should ensure a level playing field that subjects all financial services providers acting as banks with access to the federal safety net (i.e., FDIC deposit insurance) to the same regulatory restrictions and supervision, regardless of charter type. Doing so promotes fairness, beneficial competition, consumer protection, and financial stability.

Thank you for your consideration.

Sincerely,

/s/

Rebeca Romero Rainey
President & CEO